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ABITIBI POWER & PAPER COMPANY, LIMITED

SIXTEENTH ANNUAL REPORT

FOR THE FISCAL YEAR ENDING DECEMBER 31, 1929.

To the Shareholders of the

Abitibi Power & Paper Company, Limited.

Your Directors herewith submit their report for the fiscal year ending December 31, 1929.

Operations for the year produced net earnings of \$8,377,246.35, after income tax, but before providing for interest and reserves. After deducting interest on funded debt, and other interest, amounting to \$2,552,231.17, there was available for reserves and dividends, \$5,825,015.18. Preferred Stock dividends of \$2,162,908.00 were declared and paid. Additional reserves for depreciation and depletion, amounting to \$1,713,211.06, were set up on the usual basis, and \$1,948,896.12 was added to Surplus Account.

During the year fixed assets were increased \$1,358,649.18, of which \$1,328,702.65 represented capital additions to the Company's mills, power plants, railroads and townsites, and Working Capital and Investment Account were increased \$2,193,818.95.

In January, 1929, your Company and Canada Power & Paper Corporation, each acquired a one half interest in General Power & Paper Company, Limited, which is under contract to purchase all the shares of Thunder Bay Paper Co., Limited, owning a modern newsprint mill on deep water at Port Arthur, Ontario, and valuable timber leases in the Great Lakes District. This property is particularly adapted to water shipments of newsprint to United States Lake Ports.

In January of this year, through an exchange of shares, your Company acquired all of the Common Stock of Provincial Paper, Limited, a well established concern, in excellent financial condition, producing book, magazine, coated and other types of fine papers, entirely non-competitive with your Company's main product.

The acquisition of Provincial Paper, Limited, and the development of your more important Power Reserves, now under serious consideration, are in line with your Company's policy of securing additional and more diversified sources of revenue.

Your properties have been well maintained; material expenditures have been made for the purpose of still further reducing costs and it is a pleasure to acknowledge the splendid co-operation of the entire manufacturing organization towards the same end.

Conditions in the Newsprint Industry are still adversely affected through overproduction, but the prevailing low prices are already having their inevitable effect of limiting the creation of new units and with the return of normal business conditions in its great market, the United States, there is no reason to doubt that this fundamental industry will again reach a position of reasonable prosperity, commensurate with its importance.

On behalf of the Board of Directors,

ALEXANDER SMITH,

President.

Toronto, March 1, 1930.

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Abitibi Power & Paper

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:

Inventories of Pulpwood, Paper, Pulp, Materials and Supplies at cost, and expenditures on Logging Operations	11,205,446.65
Unexpired Insurance, Prepaid Taxes, etc	478,430.71
Customers Accounts	4,429,524.46
Sundry Accounts Receivable and Cash Deposits on Timber Limits	526,414.46
Cash on hand and on deposit	1,215,953.91
	<u>17,855,770.19</u>

INVESTMENTS:

In Capital Stocks and Bonds of other Companies	<u>1,219,280.33</u>	19,075,050.52
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FIXED ASSETS:

Plant, Machinery and Equipment, at cost	107,007,226.83	
Lands, Timber Limits, Undeveloped Water Powers, etc.	<u>51,839,435.81</u>	158,846,662.64
		<u>\$177,921,713.16</u>

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have examined the Books and Accounts of the Abitibi Power & Paper Company, Limited and its Subsidiary Companies for the year ending December 31, 1929, and have obtained all the information and explanations which we have required; and we certify that, in our opinion, the above Balance Sheet at December 31, 1929, is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of the Abitibi Power & Paper Company, Limited and its Subsidiary Companies, according to the best of our information and the explanations given to us and as shown by the Books of the Companies.

PRICE, WATERHOUSE & COMPANY,

Auditors.

Toronto, February 24, 1930.

er Company, Limited

SHEET DECEMBER 31, 1929

LIABILITIES

CURRENT LIABILITIES:

Bank Loans	1,750,000.00	
Current Accounts and Bills Payable	2,269,479.73	
Bond Interest Accrued	208,333.33	
Dividends Payable	556,231.00	
		<u>4,784,044.06</u>

DEFERRED LIABILITIES:

Purchase Money Obligation Payable over seventeen years	223,810.33	
Purchase Money Obligation Payable over three years	135,000.00	
		<u>358,810.33</u>

FUNDED DEBT:

Five percent First Mortgage Gold Bonds 1953 Authorized	75,000,000.00	
Issued		50,000,000.00

RESERVES:

Depreciation and Depletion	24,350,464.20	
General and Contingent	1,452,307.04	
		<u>25,802,771.24</u>

PREFERRED SHARES:

10,000 shares of 7% Cumulative Preferred Stock of \$100.00 each. The total authorized issue is 10,000 shares	1,000,000.00	
348,818 shares of 6% Cumulative Preferred Stock of \$100.00 each, including 1,229 shares deposited for exchange of shares of Spanish River Pulp & Paper Mills Limited. The total authorized issue is 500,000 shares	34,881,800.00	
		<u>35,881,800.00</u>

COMMON SHARES & SURPLUS:

Balance as per annexed Statement represented by 988,117 shares without nominal or par value, including 25,681 shares deposited for exchange of shares of subsidiary companies. The total authorized issue is 1,500,000 shares		61,094,287.53
		<u>\$177,921,713.16</u>

CONTINGENT LIABILITIES: Contractual and other obligations of General Power & Paper Company, Limited in connection with its purchase of Thunder Bay Paper Co., Limited

\$6,823,558.02

Common Shares and Surplus represented on the Books of the Company and its Subsidiaries by Earned Surplus \$18,177,047.09; Common Stock Account \$18,864,935.43; Capital Surplus \$24,052,305.01; Total \$61,094,287.53

Approved on behalf of the Board,

VICTOR E. MITCHELL,
Director.

L. R. WILSON,
Director.

ABITIBI POWER & PAPER COMPANY, LIMITED

CONSOLIDATED SURPLUS AND PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDING DECEMBER 31, 1929

Balance at credit of Surplus as at December 31, 1928....	59,145,391.41
Profit from Operations for the year ending December 31, 1929, after Income Tax, but before Depreciation and Interest	8,377,246.35
Deduct:	
Provision for Depreciation and Depletion 1,713,211.06	
Interest on Funded Debt and other	
Interest 2,552,231.17	
	<u>4,265,442.23</u>
	4,111,804.12
	<u>63,257,195.53</u>
Deduct:	
Dividends on:	
7% Cumulative Preferred Stock	70,000.00
6% Cumulative Preferred Stock	2,092,908.00
	<u>2,162,908.00</u>
Balance at credit of Surplus carried forward	<u><u>\$61,094,287.53</u></u>